

**INDIANA HOUSING FINANCE AUTHORITY
FIRST HOME & FIRST HOME/PLUS PROGRAM**

Property Eligibility

The proceeds of the loans must be used to acquire the principal residence of the Borrower(s). The residence must meet the following requirements:

1. The property must be located in the State of Indiana.
2. The property must be:
 - A. A single-family house, including a manufactured home which is permanently affixed to real estate; OR
 - B. If a Fannie Mae loan, the condominium must be located in a complex meeting Fannie Mae's 70% occupancy requirement: At least 70% of the total units in the project must have been conveyed (or must be under contract to be sold) to owner-occupant principal Residence or second home purchasers. No single entity (the same individual, investor group, partnership, or corporation) other than the developer during the initial sales period may own more than 10% of the total units in the complex.
3. The acquisition cost of the residence must not exceed the applicable Program acquisition cost limits for an existing home or for a newly constructed home (see back of this section). The term "acquisition cost" means the cost of acquiring a residence from the seller(s) as a completed residential unit. The acquisition cost includes:
 - A. All amounts paid, either in cash or in kind, by the Borrower(s) (or a related party for the benefit of the Borrower(s)) to the Seller(s) (or a related party of the Seller(s)) as consideration for the residence;
 - B. If the residence is incomplete, the reasonable cost of completing the residence whether or not financed by the loan;
 - C. If the residence is in need of repair and the repairs are necessary to make the residence habitable, to meet local building codes, or to meet program requirements, the reasonable cost of making the repairs whether or not financed by the loans. Repair escrows are permissible where the repairs to be undertaken are not for items that pose a threat to occupant health and safety;
 - D. Settlement and financing costs in excess of amounts which are usual and reasonable;

- E. Property taxes, if not prorated between ownership by Borrower and Seller (e.g., Borrower pays next installment due); and
- F. The cost of the land or if a gift, the appraised value is to be added to acquisition if the borrower has owned the land for **less than two years prior to construction.**

Acquisition cost does not include:

- G. Usual and reasonable settlement and financing costs including:
 - (1) Title and transfer costs;
 - (2) Title Insurance;
 - (3) Survey fees and other similar costs;
 - (4) Credit reference fees;
 - (5) Legal fees;
 - (6) Appraisal expenses;
 - (7) Usual and reasonable financing points;
 - (8) Structural and systems or pest inspections;
 - (9) Other related costs of financing the residence; and
 - (10) **Land owned by the borrowers for more than two years prior to construction.**
 - H. The imputed value of “sweat equity” performed by the Borrower(s) or members of the Borrower(s) immediate family.
- 4. Subject property must not have been occupied by a tenant within the past three months unless the tenant is the purchaser. **(Required for First Home/Plus only)**.
 - 5. The amount paid to the seller(s) for consideration for the residence cannot be higher than it would be had the sale occurred without the benefit of the Program.
 - 6. **The Borrower must reasonably expect to reside in the property as his principal residence within sixty (60) days** after the loan closing date on existing homes **OR** within sixty (60) days of completion for a newly constructed home.
 - 7. No more than fifteen percent (15%) of the total area of the principal residence can reasonably be expected to be used **exclusively** as:
 - A. The Principal place of business for, or connected with, any trade or business on an exclusive or regular basis;

- B. A place where inventory is held for use in the trade or business of the selling of products at wholesale or retail but only if the residence is the sole fixed location of such trade business; or
- C. A place used on a regular basis in the trade or business.

8. **A property appraisal must be performed. A FHA appraisal is required if the borrower(s) is obtaining a FHA mortgage with the First Home Program or any First Home/Plus Program loan regardless whether FHA, VA, RHS or a Fannie Mae loan.**

The appraisal must be conducted by a FHA approved appraiser in accordance with the US Department of Housing and Urban Development (HUD) *Handbook No. 4150.1 Rev-1*. Any adverse property conditions noted by the appraiser must be documented on the HUD Valuation Conditions Sheets (VC Sheets). Copies of the VC Sheets must be submitted with the application package as documentation of the inspection results. The appraisal must be underwritten by the Participating Lender's Direct Endorsement Mortgage Underwriter. The Underwriter will make the final decision as to what conditions will need to be corrected prior to loan closing. The final disposition of the conditions needing correction must be documented on the Compliance Inspection Report for HUD-92051. A copy of the final Compliance Inspection Report must be submitted with the Closing Package. **It is only necessary to obtain a FHA case number if the Borrower(s) will be obtaining a FHA first mortgage.**

9. The purchase price of a home using down payment assistance funds cannot exceed the HOME 203(b) Mortgage Limits OR IHFA'S maximum acquisition limit for the county in which the subject property is located. **Refer to chart attached HOME 203(b) Mortgage Limits and IHFA's maximum acquisition limits. The lower of the two becomes the maximum. All IHFA documents should reflect the Maximum Acquisition Limit.**

FOR
ACQUISITION
LIMITS,
REFER TO
SUPPLEMENT